



California Film & Television Tax Credit Program 2.0

GUIDELINES

APRIL 2015

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I. Introduction

The California Film Commission prepared these guidelines to assist Production Companies and taxpayers in utilizing the California Film & Television Tax Credit Program 2.0. The material below contains information from the statute (Sections 17053.95 and 23695 of the Revenue and Taxation Code) and Program Regulations (Title 10, Chapter 7.75, Sections 5508-5516) in a more readable, organized format. It may add clarity to certain provisions of the statute and contains new and additional requirements. Applicants should read and understand the requirements of AB 1839 and the Emergency Regulations and are also strongly advised to consult with their legal and financial advisors prior to submitting an application.

Detailed information on budget preparation, coding, and tagging is available in a separate document: [Budget/Tagging Instructions](#)

These guidelines contain terms whose meanings are defined in Section XV. The defined terms will appear in **bold** and “quotations,” and the Applicant is encouraged to refer to the definitions in this section, as needed.

II. Program Funding and Project Eligibility

The California Film & TV Tax Credit Program 2.0 provides tax credits based on “**Qualified Expenditures**” for qualified productions that are produced in California. Enacted in September 2014, the 5-year, \$1.5 Billion dollar program commences on July 1, 2015. Funding is \$230 Million dollars in fiscal year 2015/16 and \$330 million for the following 4 fiscal years through 2019/20. The California fiscal year is July 1 through June 30.

- A. Tax credits will be allocated each fiscal year according to the following category percentages:
 - 1. Independent Films - 5%
 - 2. Non-Independent Films - 35%
 - 3. Relocating TV Series - 20%
 - 4. New & Recurring TV Series, MOWs, Miniseries, TV Pilots - 40%
- B. To apply for the California Film & Television Tax Credit Program 2.0, a film or television project must be one of the following:
 - 1. A “**Feature Film**” with a minimum production budget of \$1 million dollars. Tax credits apply to the first \$100 million dollars. There is no cap on the total budget amount.
 - 2. A “**Movie of the Week**” or “**Miniseries**” with a minimum “**Production Budget**” of \$500,000.
 - 3. A new “**Television Series**” with a minimum per episode budget of \$1 million dollars and a running time longer than forty (40) minutes, exclusive of commercials. “**Pilots**” are also eligible and must have a minimum budget of

\$1 million dollars. Pilots and TV series may be produced for distribution in any media outlet, including basic cable, pay (premium) cable, internet transmission, or network broadcast.

4. A **“Television Series that Relocates to California,”** without regard to episode length, that filmed its most recent season (minimum of 6 episodes) outside of California. There is no minimum budget requirement for a relocating television series. The series may be produced for distribution in any media outlet, including basic cable, pay (premium) cable, internet transmission, or network broadcast.
 5. An **“Independent Film”** with a minimum **“Production Budget”** of \$1 million dollars that is produced by a company that is not publicly traded and that publicly traded companies do not own more than 25% of the producing company. While there is no budget cap, credits apply only to the first \$10 million of qualified expenditures. Television series, Mini-series, and Movies of the Week may be considered an **“Independent Film”** provided they meet the above requirements.
- C. A **“Qualified Motion Picture”** must be one of the above eligible types of productions (as seen in Section II.B.) AND meet one of the following conditions:
1. 75% of total principal photography days must occur wholly in California. **“Principal Photography”** days in California do not include the filming of primarily backgrounds, visual effects, action and/or crowd scenes by the second, stunt, or visual effects units;
OR
 2. 75% of the **“Production Budget”** must be incurred and used for goods, services and/or wages within California. This can be determined by evaluating if 75% of the **“Production Budget”** - including both qualified and non-qualified expenditures such as ATL wages, out-of-state spend, and rights - will be spent as described above.
- D. Allowable Tax Credit for Qualified Productions:
1. Qualified **“Independent Films”** are eligible to receive **25%** of qualified expenditures as a transferable tax credit.
 2. A **“Television Series that Relocates to California”** is eligible to receive **25%** of its qualified expenditures as a non-transferable tax credit. Additional seasons in California are eligible for 20%.
 3. A Feature Film, Mini-Series, Movie of the Week, Pilot, or new Television Series for any distribution outlet is eligible to receive **20%** of its qualified expenditures as a non-transferable tax credit.
 4. Non-Independent productions are also eligible for an additional 5% tax credit for specific types of expenditures (see “Uplifts”, section VII).
- G. The following types of productions are not considered qualified motion pictures and are not eligible for the program:

- Commercials
- Music videos
- News programs, current events or public affairs programs
- Talk shows; game shows; **“strip shows”**
- Sporting events
- Half hour (airtime) episodic TV shows (unless it qualifies under the conditions for a **“Television Series that Relocated to California”**)
- Animated Productions
- Awards shows
- Productions that solicit funds
- **“Reality programs”**, Unscripted programs
- Student films
- Industrial films
- Clip-based programming where more than 50% of content is comprised of licensed footage
- Documentaries
- Variety programs
- Daytime dramas
- Any production for which records are required to be maintained with respect to any performer in such production under Section 2257 of Title 18 of the United States Code (reporting of books, films, etc. with respect to sexually explicit conduct)

III. Qualified and Non-Qualified Expenditures

“Qualified Expenditures” are the portion of production expenditures that qualify for a tax credit allocation. These costs must be incurred in the State of California, and can include crew and staff salaries, wages, and fringe benefits; cost of facility rentals and equipment; production operation costs such as construction, wardrobe, food, lodging, and lab processing. Qualified wages include payments to **“Qualified Entities,”** such as Loan-Out Corporations. All services must be performed in California. In order for purchases and rentals to qualify, they must be purchased and/or rented and used in the state.

- A. The [Qualified Expenditure Charts](#) and [Expenditure Tracking Tips](#) (available on the CFC Incentives webpage) are helpful guides for determining which expenditures qualify in the calculation for credits, along with providing important information for budgeting, tracking and reporting qualified expenditures. [Qualified Expenditure Charts](#) are available for feature films, mini-series and MOWS, New Television series, Pilots, and ½ Hour Relocating TV Series.
- B. **Non-Qualified Expenditures** do not qualify for tax credits and include, but are not limited to, the following:

1. Wages paid to writers, directors, music directors, music composers, music supervisors, producers, and performers, other than background actors with no scripted or ad-lib lines.
2. Expenses, including wages, paid or incurred with respect to acquisition, development, turnaround or any rights thereto.
3. Expenses, including wages, related to financing, overhead, marketing, publicity, promotion or distribution of a qualified motion picture, including but not limited to digital cinema distribution copies and release prints.
4. Expenses, including wages, related to “**new use**,” “**reuse**,” “**clip use**,” “**licensing**,” secondary markets, residual compensation or the creation of any ancillary product including but not limited to, a soundtrack album, toy, game, video game, trailer, or teaser.
5. Expenses for services performed outside the state of California, e.g., visual effects work which is physically performed out-of-state.
6. Certified Public Accountant Expenses for an independent Agreed Upon Procedures Report.
7. Federal Payroll taxes.
8. Expenditures paid or incurred prior to issuance of the “**Credit Allocation Letter**” and 30 days after the process of post-production is “**Completed**.”

IV. Budget and Calendar Requirements/Parameters

- A. Applications must be submitted via an online application system during specific allocation periods. Principal photography may not begin until the production has been admitted into the program and been issued a “**Credit Allocation Letter**.” *Any expenditures incurred for services, wages, or goods (whether paid or not) prior to the issuance of the Credit Allocation Letter will not qualify for credits (for the only exceptions to this rule, see “[Expenditure Tracking Tips](#)”).*

“**Principal photography**” must commence no later than 180 days after the Credit Allocation Letter is issued. If the production does not begin filming prior to the 180 day deadline, the tax credit allocation will be revoked. The production company may reapply during an open allocation period when a firm start date is known; however, there is no guarantee that tax credits will be available.

- B. If a production implements a “**Hiatus**” during the principal photography period, any and all hiatus period(s) may be no longer than 120 calendar days in aggregate for the entire duration of the production. If the production does not resume within the 120 day period, the project will no longer be eligible for the program and cannot re-submit an application for that project in any future year. If a production has completed the scheduled number of principal photography

days, has commenced post production, and requires additional photography, the hiatus provision is not applicable.

- C. Post production must be “**Completed**” within 30 months of the issuance of the Credit Allocation Letter. The process of post-production will be considered complete when a final composite answer print, air master, or digital cinema files of the qualified motion picture is/are produced.

V: The Application Process and The Queue

- A. **Phase One** is the specific, open allocation period in which applicants may submit application information via the CFC’s online portal and includes the submission of a detailed synopsis of the project. All applicants must have their schedule and budget information in order to input requested details into the online application. Please refer to the [Budget/Tagging Instructions](#) before creating your budget so that it contains the correct “tagging” methodology. Upon inputting all requested schedule and budget information, a Jobs Ratio number will be generated and projects will be ranked within their category according to this number. (See Section VI: Jobs Ratio Ranking)
- B. In **Phase Two** of the application process, the top 200% ranked projects will be notified and asked to submit, within 3-7 days via the online portal, the following **supporting documentation**:
 - 1. **Budget** containing only “**Qualified Expenditures**” - The detailed Qualified Expenditure budget should only include qualified expenditures, wages, and fringes. If the budget contains nonqualified spend, applicant may be asked to revise it. Revised budgets should address only those line items which require adjustment – budget revisions that increase the qualified expenditures are not permitted. The qualified budget amount stated in the application must match the total in the qualified budget. These expenditures should be based on the budget which, after revisions, will become the locked production budget, utilized by the completion bond company, production company and/or studio for the purpose of tracking costs. If the completion bond fee is included in the “**Production Budget**,” then include the percentage of the bond fee in the qualified spend budget (not more than 2%). [Qualified Expenditure Charts](#) provide detailed information on qualified and nonqualified expenditures for different types of productions. Budget must be submitted ***in an industry standard budgeting program without security lock, including fringe accounts.***
 - a. A Television Series may submit pattern and amortization budgets of qualified expenditures in an industry standard budgeting program in lieu of the budget listed above. Refer to [Qualified Expenditure Charts](#) and [Budget/Tagging Instructions](#).
 - b. A Contingency of not more than 10% of your qualified expenditure budget total may be included in the budget. *A bond fee of not more than 2% on*

the qualified spend portion of the production budget may be included in the qualified spend budget.

- c. The tax credit allocation, if approved, will be based on your qualified expenditure estimate; only the actual amount of qualified expenditures (equal to or less than your estimate) will be eligible for tax credits upon completion.
2. **One-Line Shooting Schedule with Scene Descriptions** ("Production Board") - Production schedule must indicate any anticipated principal photography days outside the **"Los Angeles zone"** and any principal photography days in a **"Production Facility."** *[PDF File via Online Portal]*

Television Series may submit a production calendar and a summary which must include the estimated start and end dates of the season, the number of in-state and out-of-state principal photography days, number of principal photography days anticipated in a production facility, and/or outside the Los Angeles zone, and the total number of episodes, in lieu of a one-line shooting schedule. *[PDF File via Online Portal]*
3. **"Pick-Up Order"** - A new television series and relocating television series must submit evidence that the series has received a "pick-up order" and is thus "greenlit." The amount of episodes indicated in the "pick-up order" should be the same as the number of episodes on the application. An application for any additional episodes ordered during the same season should be submitted via the application process during the next allocation period. *[PDF File or equivalent format via Online Portal]*
4. **Screenplay** - A TV series may provide a script from one episode, or from the pilot episode. If application is for a pilot without a script, a detailed synopsis will suffice. *[PDF File via Online Portal]*
5. **Relocation Statement** - All Relocating Series applicants must submit a letter on letterhead stating that the tax credit provided is the primary reason for relocating. Detailed narrative statement (#7) is not required if submitting this document. *[PDF File via Online Portal of scanned of signed statement]*
6. **Financing "backup" documentation** - Establish proof that 60% of the funds are available by providing accounting statements, brokerage or bank statements, commitment letters from established motion picture company or lender. *[PDF File via Online Portal]*
7. **Detailed Narrative Statement** - Provide a written statement on letterhead which describes the extent to which the credit is expected to influence the choice of filming location with respect to financial considerations. Please state other locales which would be considered in the absence of a tax credit. *[PDF File via Online Portal, signed by officer or executive]*
8. For Applicants that are a partnership or single member LLC and not owned more than 25% by a publicly traded company (this applies to independent corporations as well) provide:

- a. **Financial information**, if available, including but not limited to the most recently produced balance sheets, annual statements of profits and losses, audited or unaudited financial statements, summary budget projections. *[PDF File via Online Portal]*
 - b. The names of all **partners in a partnership** or names of all members of a limited liability company classified as a partnership not publicly traded for California income tax purposes. *[PDF File via Online Portal]*
9. For applicants that are publicly traded companies or affiliates of publicly traded companies, provide:
 - a. A listing of all members of the applicant's most recently filed California **combined reporting group** and any members to which the credit is assigned. *[PDF File via Online Portal]*
 - b. If readily available, a **listing** of all states, provinces or other jurisdictions in which any of those members finance motion picture productions. *[PDF File via Online Portal]*
- C. Any project with missing or inadequate application materials during Phase Two will not be eligible for tax credit allocation. Failure to provide requested materials may result in removal from the waitlist.
 1. If there are more qualified applicants than funds available, the applicants within the top 200% ranked projects which did not receive tax credits will be notified and will be placed on the waitlist within their project type category. Should tax credits become available in a category, the CFC will notify the applicant at the top of the waitlist in that category to determine if that applicant is still interested in receiving a tax credit allocation. Waitlist applicants are requested to notify the CFC if they have a change in status e.g., filming out of state or if project is not going forward. Applicants not in the top 200% will be notified that they will not be placed on the waitlist.
 2. Waitlisted productions that begin principal photography prior to receiving a credit allocation letter are not eligible for the program.
 3. Applicants should not submit more than one application per project. If the CFC receives duplicate applications for the same project, both applications will be disqualified from the tax credit program.
 4. A television series must submit one application for the entire "pick up" order amount.
 5. Once a television series has been approved and accepted into the program, that series will be placed at the top of the queue. First priority will be given based on the date of the initial application in the year it was first submitted to the CFC. If further prioritization is necessary, the current job ratio for the series will be used. Television producers are requested to notify the California Film Commission in writing prior to the next open allocation period

if the series will be filmed the following fiscal year in California so the CFC can set aside credits prior to the open allocation period. A new application must be submitted for each new season; Relocating TV series applying for a second season in California are considered returning TV series which receive a 20% tax credit.

6. For Pilots accepted into the Program which receive a pick-up order for a television series, priority placement will be given if an application for the new television series is submitted for the following allocation period. If necessary, prioritization is as described above for returning TV series.

VI: Jobs Ratio Ranking

- A. The jobs ratio ranking process is statutorily mandated in order to identify those projects which create the most jobs and increase economic activity in the state. Applicants are required to input, via the online application portal, qualified wages and qualified non-wage expenditures. To determine the jobs ratio of each project, 35% of the non-wage expenditures are automatically added to the qualified wage amount (Base Jobs Ratio), which is then divided by the amount of tax credits requested. (Qualified Wages must be paid directly by the applicant or its payroll service in order to be included in this calculation as a wage; labor paid via third party contracted vendor should be included as a qualified non-wage). Qualified non-wage expenditures, for the purposes of the jobs ratio ranking, do not include contingency or bond amounts.
- B. Please refer to the **Budget/Tagging Instructions** on the CFC website which delineate the types of expenditures, wages, box rentals, allowances and fringes considered “wage” and “non-wage”.
- C. The base jobs ratio may be increased up to 25% points based on activity in any or all of the following areas. These are referred to as the “bonus points.” Bonus point ranges per project type are posted on the CFC website under Jobs Ratio Calculator prior to each allocation period.
 1. **“Visual Effects”** performed in-state - Please refer to the applicable qualified expenditure chart (QEC) to determine which expenditures qualify for the bonus points; they are the SAME expenditures that qualify for the 5% uplifts. *There is no minimum VFX spend requirement with respect to bonus points.*
 2. Principal photography days at a **“Production Facility”** - Bonus points are determined by the percentage of principal photography days at a facility in relation to total principal photography days in the state. To accrue these bonus points, filming must occur at an approved facility, if in the Los Angeles zone. Facility Days must be indicated in the one-line schedule. Facility Days are defined as days in which the shooting crew are utilizing the facility for 6 hours or more. This will need to be noted on production reports. (See **Production Facility** list on [CFC website](#).)

3. Principal photography days outside the Los Angeles zone - Bonus points are determined by the percentage of principal photography days outside the L.A. zone in relation to total principal photography days in the state.

VII: 5% Additional Tax Credit (“Uplifts”) – Non-Independent Productions

- A. Non-Independent Productions (excluding Relocating Series in its first season in the state) are eligible for an additional 5% in tax credits (“Uplifts”) if spending occurs in any or all of the 3 categories listed below.
 1. Visual Effect performed in the state – Please refer to the applicable QEC to determine which VFX expenditures qualify for the uplift; they are the SAME expenditures that qualify for the bonus points. In order to qualify for VFX uplift, a production must spend either a minimum of \$10 million in qualified visual effects or at least 75% of the total VFX expenditures must be incurred in California. (To calculate VFX expenditure minimum, add only the VFX categories which qualify for the uplift/bonus points.)
 2. Music Scoring and/or Music Track Recording – Please refer to the applicable QEC for expenditures that qualify for this uplift.
 3. Qualified wage and non-wage expenditures outside the Los Angeles zone during the **“Applicable Period.”**
 - a. For initial uplift calculation, estimate wages outside the zone during the applicable period; for non-wage expenditures, online portal will calculate the percentage of principal photography days outside the L.A. zone in relation to the total principal photography days and apply that percentage to the non-wage expenditures (excluding post production costs, insurance, legal costs, bond, and contingency).
 - b. When calculating actual costs for determining final tax credit amount, applicant utilizes actualized wage amounts and actualized non-wage expenditures based on the percentage of PP days outside the L.A. zone in relation to the total number of PP days in CA (excluding post production, insurance, legal costs, bond, and unused contingency).
 - c. Productions which can provide adequate documentation on non-wage expenditures totally consumed outside the L.A. zone to the CPA performing the Agreed upon Procedures will be allowed 100% of the cost of these items. Examples of property that can be considered totally consumed are included in Appendix A. of this document.

VIII. Issuance of Tax Credit Allocation Letter

- A. Within 20 business days of receipt of the completed application, and all requested supporting documents, the California Film Commission will notify the applicant by e-mail of accepted or rejected status. Upon approval, a **“Credit**

Allocation Letter” will be issued to the applicant indicating the amount of credits reserved pending the project’s continued eligibility and final documentation.

- B. The date of issuance of the Credit Allocation Letter is the same date by which the program's date-sensitive parameters will be assessed: e.g. (1) date when monies paid or incurred are considered qualified expenditures; (2) maximum time allotted for the start of principal photography; and (3) completion of the motion picture.
- C. No later than (4) weeks prior to principal photography, the production accountant is required to attend an orientation meeting with the CFC, along with any or all of the following production personnel: a primary producer, Unit Production Manager (UPM), and/or other appropriate personnel; post-production accountants and post supervisors are encouraged to attend as well. Applicants are advised to schedule their orientation meeting as soon as the production team is in place to be better informed of the requirements of the program, tagging methodologies, and the process necessary to obtain the tax credit certificate. Please inform the CFC of production personnel who have previously attended a CFC 2.0 Orientation Meeting as they are not required to re-attend, but may do so at their election.

IX. Approved Applicant Responsibilities

- A. Submit a call sheet, signed by the UPM, on the first day of principal photography. *[PDF File via Online Portal]*
- B. Submit Final Production Reports for each day of principal photography, signed by the UPM; may be submitted on a weekly basis in arrears. *[PDF Files via Online Portal]*
- C. Production Updates - Please send an email as needed to the CFC at incentiveprogram@film.ca.gov with project title and queue number in the subject line and provide any substantive changes: e.g., start date change, title change, revised # of episodes scheduled, significant reduction of budget or schedule.
- D. Career Readiness Requirement - All applicants must participate in a career based learning and training program approved by the CFC. Participation may involve internships, workshops by production professionals, studio or production company tours and/or set visits, continuing education for educators, or a financial contribution. Please refer to the **CAREER READINESS** section on the CFC website for detailed instructions on this requirement.

X. Screen Credit and other Marketing Materials

- A. All productions that receive a credit certificate **must** provide an on-screen acknowledgement in this exact wording: **“The State of California and the CALIFORNIA FILM COMMISSION,”** except where that acknowledgement may be prohibited by the Children's Television Act or any other local, state, or federal

government policy. Please inform your credits administrator or post production supervisor of this requirement.

- B. All productions that receive a credit certificate MUST include the California Film Commission LOGO in the end credits. Contact the CFC for access to the digital file containing the logo in the format needed for your production.
- C. Production Stills - Five (5) production stills in digital file format cleared by production company and with cast approvals (if cast members are included in the stills) for promotional use by the California Film Commission. The CFC prefers stills that contain interesting California locations, as well as acting talent. Submit via Online portal with final documentation.

XI. Process for Obtaining the Tax Credit Certificate

Upon completion of the project* and prior to the issuance of the Tax Credit Certificate, the applicant must provide to the California Film Commission the documentation listed below via the online portal:

- A. Expenditure Summary Report: CFC Form FF-1 for Non-Independent productions, FF-2 for Independent Films, or FF-3 for Relocating TV Series. Sections 6, 7, and 8 amounts must conform to amounts noted by the CPA performing the Agreed Upon Procedures in AUP Exhibit A1 (Non-Independent Productions), A2 (Independent Productions), or A3 (Relocating TV Series – 1st Season).
- B. Copyright certificate (Form PA), evidencing registration of the screenplay or teleplay or motion picture, television series, pilot or television movie. The copyright holder may be the qualified taxpayer, its affiliate, or an unaffiliated company for which the qualified applicant is producing the motion picture.
- C. Final Cast, Crew, and Vendor Lists –Please do not include social security numbers. *[PDF Files via Online Portal]*
- D. Main and end title final "checker" or "galley" – The checker or galley is the actual layout of the titles normally produced by a Title House or other post production facility. *[PDF File, Word, QuickTime or similar electronic format, via Online Portal]*
- E. Five (5) Production Stills – electronic digital files with cast approvals cleared for CFC usage. JPG files; no PDF files of images will accepted.
- F. End Credit Acknowledgement to the State of California and the California Film Commission and California Film Commission Logo (available upon request).
- G. Local Community Expenditure Report, if overnight location occurs outside 30 mile L.A. zone (request form from CFC).
- H. Script Supervisor's Lined Script (copy) of the project; TV series must submit episodes 1 and 5 of the series. *[PDF File via Online Portal]*

- I. Television Distribution Verification
 - 1. Documentation by a miniseries verifying that its initial distribution consists of two or more episodes with a total running time of at least 150 program minutes. *[PDF File via Online Portal]*
 - 2. Documentation by a MOW verifying its initial distribution with a minimum of 75 program minutes broadcast in one part. *[PDF File via Online Portal]*
- J. Updated Information: Updates to the information provided in Section V (7) (8) and/or (9).
- K. Documentation from the Career Readiness designated representative, verifying participation in a career-based learning and training program.
- L. Agreed Upon Procedures Report, performed by a CPA with an active California license to perform attest services or a practice privilege permit who has attended a CFC CPA 2.0 Orientation meeting (listing available upon request). *Note: During the audit process, in addition to verifying qualified expenditures, the CPA will recalculate the Jobs Ratio based upon actual wage and non-wage spend. If the information submitted with the application was overstated, the applicant may be penalized with a reduction of tax credits unless “Reasonable Cause” can be documented. Applicants are to contact the CFC to discuss events that fall within the definition of “Reasonable Cause” that may adversely affect their recalculated job ranking. [PDF File via Online Portal]*
 - 1. Required AUP documentation (discuss with your CPA):
 - a. Documentation from the post-production facility (or post-production department) stating the date that the final elements were created, i.e., the facility invoice with creation date or signed letter on letterhead. The process of post-production is considered finished when a final composite answer print, air master or digital cinema files of the qualified motion picture is/are produced. In the case of a television series, the required letter should refer to the final episode of the season. *[PDF Files of scanned and signed letters, including vendor name, address, and phone number, via Online Portal]*
 - b. Verification of In-state Work - Documentation (e.g., signed letter by CEO, CFO or equivalent on company letterhead) from each visual effects, title, post sound, and/or digital effects company contracted by the production company, indicating the total dollar amount of work performed within the State of California. *[PDF Files of scanned and signed letters, including vendor name, address, and phone number, via Online Portal]*
 - c. Related Party Disclosure List - Listing of all related party transactions. *[PDF File via Online Portal]*
 - d. Verification letter from Applicant - Verification of accuracy of related party disclosure list attesting that the related party disclosure list is

complete and accurate and (if applicable) verification that all insurance claims related to Qualified Expenditures have been credited in cost report. *[PDF File of scanned statement on letterhead signed by producer or studio executive, via Online Portal]*

- e. Listing of Assets with a value of more than \$250.00 comprised of electronic office, post production or digital effects equipment, e.g., copiers, printers, cameras, drives, monitors, DVD players, computers, etc. *[PDF File via Online Portal]*
- f. Listing of Assets over \$10,000 – Individual assets does not include set pieces constructed from multiple materials unless purchased as a whole. *[PDF File via Online Portal]*
- g. Payroll representative letter verifying no outstanding invoices no less than 30 days after creation of final element. *[PDF File of signed statement, via Online Portal]*
- h. If applicable, statement from insurance company if premium/fee is prorated. *[PDF File via Online Portal]*

***Note:** You are encouraged to submit your documentation to the CFC once 30 days have passed after completion of the final element, the Agreed Upon Procedures is complete, and your documentation is ready for review. However, there is no formal deadline for submitting your final documentation.

Failure to provide the requested documentation may result in loss of the credit.

XII. Approval / Disapproval of Tax Credit Allocation

- A. The CFC will review all the required materials submitted by the applicant and CPA to determine if the applicant meets all the criteria for the program and will approve or disapprove the request for the credit certificate. During the review, the CFC may request additional documentation to determine if the production is a qualified motion picture and to verify the qualified expenditures.
- B. The amount of tax credit allocated shall be based on the percentage of the qualified expenditures and jobs ratio confirmed in the Agreed Upon Procedures Report. This amount may be less than the amount indicated on the Credit Allocation Letter.
- C. If the request for a tax credit certificate is denied, the CFC will provide the applicant with a notice of disapproval stating the reasons for such. Disapproval is final and not subject to administrative appeal or review.
- D. Penalty for overstatement of Jobs Ratio factors: Per the statute, the Jobs Ratio will be re-calculated when the applicant files for the final tax credit as follows:

1. **For studio projects** - If the CFC determines that the jobs ratio has been reduced by more than 10 percent, the credit will be reduced by an equal percentage, unless the qualified taxpayer demonstrates, and the CFC determines, that reasonable cause exists for the jobs ratio reduction. If the jobs ratio has been reduced by more than 20 percent, the CFC shall not accept an application from that qualified taxpayer or any member of the qualified taxpayer's controlled group for a period of not less than one year from the date of that determination, unless the qualified taxpayer demonstrates, and the CFC determines, that reasonable cause exists for the jobs ratio reduction.
2. **For Independent projects** - If the CFC determines that the jobs ratio has been reduced by more than 30 percent, the California Film Commission shall reduce the amount of credit allowed by an equal percentage, plus 10 percent of the amount of credit that would otherwise have been allowed, unless the qualified taxpayer demonstrates, and the CFC determines, that reasonable cause exists for the jobs ratio reduction.

XIII. Confidentiality

The CFC is mandated by statute to post the following information on its website: Applicant name, (project name), tax credit amount, number of principal photography days in the state, number of estimated jobs created, total qualified wages, total qualified expenditure budget amount. All other information submitted to the tax credit program is considered proprietary and is **not** subject to the California Public Records Act.

XIV. Utilizing The Tax Credits

Tax Credits may be utilized beginning in the tax year in which the Tax Credit Certificate is issued. Independent productions may transfer tax credits to an unrelated party; non-independent productions must utilize the credits against state income tax liability, sales or use taxes, and may also assign credits to an affiliate. For detailed information on utilizing the tax credits, please refer to the CFC website document "[FACT SHEET: TAX CREDIT USAGE](#)".

XV. Definitions

"Affiliate" means a qualified taxpayer's affiliated corporation that has been assigned any portion of the credit amount by the qualified taxpayer.

"Ancillary Product" means any article for sale to the public that contains a portion of, or any element of, the qualified motion picture.

“Applicable Period” refers to production outside the Los Angeles zone, but in the state of California that commences with preproduction and ends when original photography concludes outside the Los Angeles zone. It includes the time necessary to strike a remote location and return to the Los Angeles zone.

“Applicant” is any corporation, partnership, limited partnership, limited liability company (LLC) or other entity or individual that is principally engaged in the production of the “qualified motion picture” and that controls the film or television program during pre-production, production and post-production. The applicant is the qualified taxpayer that upon final approval will receive the tax credit certificate.

“California Film Commission” (CFC) is a state entity established and described in Government Code sections 14998 et. seq. that, among other functions, facilitates and promotes motion picture and television production in the State of California.

“Clip Use” means a use of any portion of a motion picture, other than the qualified motion picture, used in the qualified motion picture.

“Completed” means when the process of postproduction has been finished. The process of postproduction shall be considered finished when a final composite answer print, HD air master, or digital cinema files of the qualified motion picture is/are produced.

“Credit Allocation Letter” is the document issued by the California Film Commission reserving an amount of tax credits to an applicant having a “qualified motion picture” based on an estimate of “qualified expenditures.”

“Credit Certificate” means the certificate issued by the California Film Commission upon completion of the qualified motion picture reflecting the credit amount allocated after qualified expenditures have been verified.

“Feature Film” means a production of a film intended for commercial distribution to a motion picture theater, directly to the home video market, or via the Internet that has a running time of at least seventy-five (75) minutes in length.

“Hiatus” means a break or interruption in the continuity of work.

“Independent Film” means a motion picture with a minimum budget of one million dollars (\$1,000,000) and a maximum qualified expenditure budget of ten million dollars (\$10,000,000) that is produced by a company that is not publicly traded and publicly traded companies do not own directly or indirectly more than 25% of the producing company. A Mini-Series or MOW which fits these criteria may be considered an “Independent Film.”

“Licensing” means any grant of rights to distribute the qualified motion picture, in whole or part.

“Los Angeles zone” means the area within a circle 30 miles in radius from Beverly Boulevard and La Cienega Boulevard, Los Angeles, CA and includes Agua Dulce, Castaic, including Lake Castaic, Leo Carillo State Beach, Ontario International Airport, Piru, and Pomona, including the Los Angeles County Fairgrounds. The Metro Goldwyn Mayer, Inc. Conejo Ranch property is within the Los Angeles zone.

“Miniseries” means a motion picture based on a single theme or storyline which is resolved within the piece. A miniseries consists of two or more episodes with a total running time of at least three broadcast hours (150 program minutes).

“Movie of the week,” which may also be known as “MOW” or “made for television movie,” is defined as a motion picture, produced for initial exploitation on television or via internet transmission, which contains a scripted storyline requiring a minimum of 75 program minutes in length, broadcast in one part.

“New Use” means any use of a motion picture in a medium other than the medium for which it was initially created.

“Pick-up Order” means a contractual obligation from a licensee-exhibitor that a television series has been ordered or renewed for the production of episodes to be delivered within a specific timeframe.

“Post Production” means the final activities in a qualified motion picture's production, including but not limited to editing, foley recording, ADR, sound editing, negative cutting, color correction and sound mixing.

“Pre-Production” means the process of preparation for actual physical production which begins after a qualified motion picture has received a firm agreement of financial commitment. Customarily includes but is not limited to activities such as location scouting, hiring of key crew members, and establishment of a dedicated production office.

“Principal Photography” means the phase of production during which the motion picture is actually shot, as distinguished from preproduction and post production. Principal photography days refer to the number of days shot by the principal unit with the director and lead actors usually present. Principal photography days in California do not include the filming of primarily backgrounds, visual effects, action and/or crowd scenes by the second, stunt, or visual effects units.

“Producer” means any individual who receives an on-screen producer credit including but not limited to any of the following titles: producer, co-producer, line producer, executive producer, co-executive producer, associate producer, supervising producer, post producer, or visual effects producer.

“Production Budget” means the Budget used by the Qualified Taxpayer and production company and shall include but is not limited to Above-The-Line costs including wages, and Below-The-Line costs including post-production, insurance, rights, and music and clip licensing fees. Production Budget shall include wages, goods, and services performed and incurred within and outside of California. It does not include costs which are not directly associated with the preproduction, production or post-production of the project, such as: distribution prints and advertising, marketing, film festival participation, financing or distribution costs such as theater rentals and DVD manufacturing.

“Production Facility” means (1) any facility used by the entertainment industry for the purpose of motion picture, television, and commercial production that is in compliance

with Title 24, Chapter 48 of the California Fire Code, as determined by the fire authority having jurisdiction if within the Los Angeles zone or (2) a building or group of buildings, including, but not limited to, a sound stage or warehouse in which motion pictures are produced or are intended to be produced if outside the Los Angeles zone.

“Production Period” means the period beginning with preproduction and ending upon completion of post-production.

“Qualified Entity” means a personal service corporation (as defined in Section 269(b)(1) in the Internal Revenue Code), a payroll services corporation, or any entity receiving qualified wages with respect to services performed by a qualified individual.

“Qualified Expenditure” means amounts paid or incurred to purchase or lease tangible personal property used within the state in the production of a qualified motion picture. It includes payments, including qualified wages, for services performed within the state in the production of same.

“Qualified taxpayer” is the entity who has paid or incurred qualified expenditures and to whom the final credit certificate will be issued.

“Reality Program” means a program depicting real events and non-actors through actual footage which presents persons engaged in purportedly unscripted situations; no fictional characters are created.

“Residual Compensation” means supplemental compensation paid at the time that a motion picture is exhibited through new use, reuse, clip use, or in secondary markets, as distinguished from payments made during production.

“Reasonable Cause” means unforeseen circumstances beyond the control of the applicant, including, but not limited to, an event of force majeure, the cancellation of a television series prior to the completion of the scheduled number of episodes, failure by third parties to perform, a change in essential talent such as the director, principal cast and the associated costs, and/or a change in production financing exigencies resulting in a significant reduction to the production budget.

“Reuse” means any use of a qualified motion picture in the same medium for which it was created, following the initial use in that medium.

“Secondary Markets” means media in which a qualified motion picture is exhibited following the initial media in which it is exhibited.

“Strip Show” means television programming in which three or more episodes are regularly produced in their entirety in one week (e.g., “Judge Judy”, “Entertainment Tonight”).

“Television Pilot” means the initial episode produced for a proposed television series. This category will include shorter formats which are known as “television presentation,” a production of at least fifteen (15) minutes in length, produced for the purposes of selling a proposed television series, but not intended for broadcast.

“Television Season” means the initial exhibition of a set of television episodes lasting no less than 6 episodes and no more than 30 episodes within a period of twelve (12) months.

“Television Series” also known as “episodic television,” means a regularly occurring production.

“Television Series that Relocated to California” means a television series, without regard to episode length or initial media exhibition, that filmed all of its prior season or seasons outside of California and for which the taxpayer certifies that the credit provided is the primary reason for relocating to California.

“Visual effects” means the creation, alteration, or enhancement of images that cannot be captured on a set or location during live action photography and therefore is accomplished in postproduction. It includes, but is not limited to, matte paintings, animation, set extensions, computer-generated objects, characters and environments, compositing (combining two or more elements in a final image), and wire removals.

“Visual effects” does not include fully animated projects, whether created by traditional or digital means.

APPENDIX A

CONSUMABLES

Tangible personal property purchased or leased outside the Los Angeles zone shall be considered completely consumed provided the property was of a type or nature such that it would have no residual material value remaining after its use or consumption. Examples of such include, but are not limited to:

- Food and catering items
- Rented Hotel or corporate housing usage
- Construction supplies and materials for sets
- Automotive or other fuels
- Security services
- Location and stage services
- Governmental permit fees
- Personnel services
- Printing
- Equipment rentals for the Applicable Period
- Transportation Services
- Dry Cleaning
- Shipping costs from within the state to the out of zone location

Please contact the California Film Commission if you have questions regarding the Film & Television Tax Credit program 2.0 - we are here to assist you.

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